



# भारत का राजपत्र The Gazette of India

असाधारण

EXTRAORDINARY

भाग II — खण्ड 1

PART II — Section 1

प्राधिकार से प्रकाशित

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नई दिल्ली, शुक्रवार, मार्च 31, 2017/चैत्र 10, 1939 (शक)

No. 7]

NEW DELHI, FRIDAY, MARCH 31, 2017/CHAITRA 10, 1939 (SAKA)

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

## MINISTRY OF LAW AND JUSTICE

(Legislative Department)

New Delhi, the 31st March, 2017/Chaitra 10, 1939 (Saka)

The following Act of Parliament received the assent of the President on the 31st March, 2017, and is hereby published for general information:—

### THE FINANCE ACT, 2017

No. 7 OF 2017

[31st March, 2017.]

An Act to give effect to the financial proposals of the Central Government for the financial year 2017-2018.

BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—

#### CHAPTER I

##### PRELIMINARY

1. (1) This Act may be called the Finance Act, 2017.

(2) Save as otherwise provided in this Act, sections 2 to 88 shall come into force on the 1st day of April, 2017.

Short title  
and  
commencement.

#### CHAPTER II

##### RATES OF INCOME-TAX

2. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 2017, income-tax shall be charged at the rates specified in Part I of the First Schedule and such tax shall be increased by a surcharge, for the purposes of the Union, calculated in each case in the manner provided therein.

Income-tax.

15-3-19  
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registered under section 12AA, being contribution with a specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income for charitable or religious purposes.”

9. In section 12A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2018,—

Amendment  
of section  
12A.

(i) after clause (aa), the following clause shall be inserted, namely:—

“(ab) the person in receipt of the income has made an application for registration of the trust or institution, in a case where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996], and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, in the prescribed form and manner, within a period of thirty days from the date of said adoption or modification, to the Principal Commissioner or Commissioner and such trust or institution is registered under section 12AA;”;

33 of 1996.

(ii) after clause (b), the following clause shall be inserted, namely:—

“(ba) the person in receipt of the income has furnished the return of income for the previous year in accordance with the provisions of sub-section (4A) of section 139, within the time allowed under that section.”

10. In section 12AA of the Income-tax Act, with effect from the 1st day of April, 2018,—

Amendment  
of section  
12AA.

(a) in sub-section (1), after the word, brackets and letters “clause (aa)”, the words, brackets and letters “or clause (ab)” shall be inserted;

(b) in sub-section (2), after the word, brackets and letters “clause (aa)”, the words, brackets and letters “or clause (ab)” shall be inserted.

11. In section 13A of the Income-tax Act, with effect from the 1st day of April, 2018,—

Amendment  
of section  
13A.

(I) in the first proviso,—

(i) in clause (b),—

(A) after the words “such voluntary contribution”, the words “other than contribution by way of electoral bond” shall be inserted;

(B) the word “and” occurring at the end shall be omitted;

(ii) in clause (c), the word “; and” shall be inserted at the end;

(iii) after clause (c), the following clause shall be inserted, namely:—

“(d) no donation exceeding two thousand rupees is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.

*Explanation.*—For the purposes of this proviso, “electoral bond” means a bond referred to in the *Explanation* to sub-section (3) of section 31 of the Reserve Bank of India Act, 1934.”

2 of 1934.

(II) after the second proviso, the following proviso shall be inserted, namely:—

“Provided also that such political party furnishes a return of income for the previous year in accordance with the provisions of sub-section (4B) of section 139 on or before the due date under that section.”

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## CHAPTER VI

## MISCELLANEOUS

## PART I

## AMENDMENTS TO THE INDIAN TRUSTS ACT, 1882

Commencement  
of this Part.

**130.** The provisions of this Part shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment  
of section 20  
of Act 2 of  
1882.

**131.** In section 20 of the Indian Trusts Act, 1882 [as substituted by section 2 of the Indian Trusts (Amendment) Act, 2016],—

(i) for the words “invest the money in any of the securities or class of securities expressly authorised by the instrument of trust or”, the words “make investments as expressly authorised by the instrument of trust or in any of the securities or class of securities” shall be substituted;

(ii) in the proviso, the words “in any of the securities or class of securities mentioned above” shall be omitted.

## PART II

## AMENDMENTS TO THE INDIAN POST OFFICE ACT, 1898

Commencement  
of this Part.

**132.** The provisions of this Part shall come into force on the 1st day of April, 2017.

Amendment  
of section 7  
of Act 6 of  
1898.

**133.** In section 7 of the Indian Post Office Act, 1898,—

(a) in sub-section (1), for the proviso, the following proviso shall be substituted, namely:—

“Provided that until such notification is issued, the rates set forth in the First Schedule shall be the rates chargeable under this Act.”;

(b) sub-section (2) shall be omitted.

## PART III

## AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

Commencement  
of this Part.

**134.** The provisions of this Part shall come into force on the 1st day of April, 2017.

Amendment  
of section 31  
of Act 2 of  
1934.

**135.** In the Reserve Bank of India Act, 1934, in section 31, after sub-section (2), the following sub-section shall be inserted, namely:—

“(3) Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.

*Explanation.*— For the purposes of this sub-section, “electoral bond” means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.”.

## PART IV

## AMENDMENTS TO THE REPRESENTATION OF THE PEOPLE ACT, 1951

Commencement  
of this Part.

**136.** The provisions of this Part shall come into force on the 1st day of April, 2017.

Amendment  
of section  
29C of Act 43  
of 1951.

**137.** In the Representation of the People Act, 1951, in section 29C, in sub-section (1), the following shall be inserted, namely:—

“Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.

*Explanation.*— For the purposes of this sub-section, “electoral bond” means a bond referred to in the *Explanation* to sub-section (3) of section 31 of the Reserve Bank of India Act, 1934.

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Amendment  
of Act 51 of  
2007.

**152.** In the Payment and Settlement Systems Act, 2007 (hereafter in this Part referred to as the principal Act), for Chapter II, the following Chapter shall be substituted, namely:—

51 of 2007.

### ‘CHAPTER II

#### DESIGNATED AUTHORITY

Designated  
authority.

3. (1) The Reserve Bank shall be the designated authority for the regulation and supervision of payment systems under this Act.

(2) The Reserve Bank shall exercise the powers, perform the functions and discharge the duties conferred on it under this Act through a Board to be known as the “Payments Regulatory Board”.

(3) The Board shall consist of the following members, namely:—

(a) the Governor of the Reserve Bank—Chairperson, *ex officio*;

(b) the Deputy Governor of the Reserve Bank in-charge of the Payment and Settlement Systems—Member, *ex officio*;

(c) one officer of the Reserve Bank to be nominated by the Central Board of the Reserve Bank—Member, *ex officio*; and

(d) three persons to be nominated by the Central Government—Members.

(4) The powers and functions of the Board referred to in sub-section (2), the time and venue of its meetings, the procedures to be followed in such meetings (including the quorum at such meetings) and other matters incidental thereto shall be such as may be prescribed.”

Amendment  
of section 38.

**153.** In section 38 of the principal Act, in sub-section (2), in clause (a), for the words, brackets and figure “Committee constituted under sub-section (2)”, the words, brackets and figure “Board referred to in sub-section (2)” shall be substituted.

### PART XII

#### AMENDMENT TO THE COMPANIES ACT, 2013

Amendment  
of section  
182.

**154.** In the Companies Act, 2013, in section 182—

18 of 2013.

(i) in sub-section (1),—

(a) first proviso shall be omitted;

(b) in the second proviso, —

(A) the word “further” shall be omitted;

(B) the words “and the acceptance” shall be omitted;

(ii) for sub-section (3), the following shall be substituted, namely:—

“(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.

(3A) Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties.”

### PART XIII

#### AMENDMENT TO THE FINANCE ACT, 2016

Amendment  
of Act 28 of  
2016.

**155.** In the Finance Act, 2016,—

(i) in section 50, for the words, figures and letters “with effect from the 1st day of April, 2017”, the words, figures and letters “and shall be deemed to have been substituted with effect from the 1st day of April, 2013” shall be substituted;

(ii) in section 197, clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of June, 2016.

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## Amendments in Finance Act, 2017

1. Amendments in the Income-tax Act, 1961: Section 13A, which deals with "Special provision relating to incomes of political parties" the following changes has been proposed:

Sl.No.	Existing Provision	Amended Provision
1.	<p>13A. Any income of a political party which is chargeable under the head [***] "Income from house property" or "Income from other sources" or ["Capital gains" or] any income by way of voluntary contributions received by a political party from any person shall not be included in the total income of the previous year of such political party:</p> <p>Provided that—</p> <p>(a) such political party keeps and maintains such books of account and other documents as would enable the [Assessing] Officer to properly deduce its income therefrom;</p> <p>(b) in respect of each such voluntary contribution in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution; and</p> <p>(c) the accounts of such political party are audited by an accountant as defined in the Explanation below sub-section (2) of section 288 :</p>	<p>13A. Any income of a political party which is chargeable under the head [***] "Income from house property" or "Income from other sources" or ["Capital gains" or] any income by way of voluntary contributions received by a political party from any person shall not be included in the total income of the previous year of such political party:</p> <p>Provided that—</p> <p>(a) such political party keeps and maintains such books of account and other documents as would enable the [Assessing] Officer to properly deduce its income therefrom;</p> <p>(b) in respect of each such voluntary contribution <b><i>other than contribution by way of electoral bond</i></b> in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution;</p> <p>(c) the accounts of such political party are audited by an accountant as defined in the Explanation below sub-section (2) of section 288 ; and</p> <p><b><i>(d) no donation exceeding two thousand rupees is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.</i></b></p>

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## Amendments in Finance Act, 2017

<p>[Provided further that if the treasurer of such political party or any other person authorised by that political party in this behalf fails to submit a report under subsection (3) of section 29C of the Representation of the People Act, 1951 (43 of 1951) for a financial year, no exemption under this section shall be available for that political party for such financial year.]</p> <p>[Explanation.—For the purposes of this section, “political party” means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951).]</p>	<p>[Provided further that if the treasurer of such political party or any other person authorised by that political party in this behalf fails to submit a report under subsection (3) of section 29C of the Representation of the People Act, 1951 (43 of 1951) for a financial year, no exemption under this section shall be available for that political party for such financial year.]</p> <p>[Explanation.—For the purposes of this section, “political party” means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951).]</p>
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### Comments:

Section 13A of the Income-tax Act, 1961 confers tax-exemption to political parties for Income from house property, income by way of voluntary contribution, income from capital gains and income from other sources. Political parties registered with the Election Commission of India are exempt from paying Income Tax under section 13A of Income Tax Act, 1961 as along as the political parties comply with the proviso to section 13A, that is, if they file their Income Tax Returns every Assessment Year along with their audited accounts, Income/Expenditure details and balance sheet.

The proviso to the section states that voluntary contributions exceeding Rs.20,000 shall be exempt provided the political party keeps and maintains a record of such contribution and the name and address of the contributor. The introduction of the words “*other than contribution by way of electoral bond*” takes away the need to keep a record



## Amendments in Finance Act, 2017

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of the contributor in case of contribution by way of electoral bonds, thus bringing in a certain amount of opaqueness at the level of the political party, in terms of maintaining details.  
As far as the introduction of (d) in the first proviso is concerned, this is a welcome step insofar as a reduction in the limit of anonymous cash donations to Rs.2000 is concerned. However, since the details of the contributors making political donations using electoral bonds are not required to be filed, the element of anonymity remains and the aim of transparency is compromised.

### 2. Amendments to the Reserve Bank of India, 1934:

Sl.No.	Existing Provision	Amended Provision
1.	<p>31. Issue of demand bills and notes. (1) No person in [India] other than the Bank or, as expressly authorized by this Act, the [Central Government] shall draw, accept, make or issue any bill of exchange, hundi, promissory note or engagement for the payment of money payable to bearer on demand, or borrow, owe or take up any sum or sums of money on the bills, hundis or notes payable to bearer on demand of any such person: Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent.</p> <p>(2) notwithstanding anything contained in the Negotiable Instruments Act, 1881, no person in [India] other than the</p>	<p>31. Issue of demand bills and notes. (1) No person in [India] other than the Bank or, as expressly authorized by this Act, the [Central Government] shall draw, accept, make or issue any bill of exchange, hundi, promissory note or engagement for the payment of money payable to bearer on demand, or borrow, owe or take up any sum or sums of money on the bills, hundis or notes payable to bearer on demand of any such person: Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent.</p> <p>(2) notwithstanding anything contained in the Negotiable Instruments Act, 1881, no person in [India] other than the</p>

## Amendments in Finance Act, 2017

<p>Bank or, as expressly authorised by this Act, the Central Government shall make or issue any promissory note expressed to be payable to the bearer of the instrument.]</p>	<p>Bank or, as expressly authorised by this Act, the Central Government shall make or issue any promissory note expressed to be payable to the bearer of the instrument.]</p> <p>(3) <i>Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.</i></p> <p><i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.</i></p>
<p><b><u>Comments:</u></b></p> <p>The amendment, which comes into force with effect from 1<sup>st</sup> April, 2017, allows the central government to authorise any scheduled banks to issue electoral bonds, though the exact modalities of the scheme are yet to be notified and can only be commented upon once the same is done.</p>	

### 3. Amendments to the Representation of the People Act, 1951:

Amendments have been made in section 29C which deals with "Declaration of donation received by the political parties". Here the following amendment has been made:

Sl.No.	Existing Provision		Amended Provision
1.	29C. Declaration of donation received by the political parties.		29C. Declaration of donation received by the political parties. (1) The treasurer of a political party or any other person authorised by the political party in this behalf shall, in each



## Amendments in Finance Act, 2017

<p>(1) The treasurer of a political party or any other person authorised by the political party in this behalf shall, in each financial year, prepare a report in respect of the following, namely:</p> <p>(a) the contribution in excess of twenty thousand rupees received by such political party from any person in that financial year;</p> <p>(b) the contribution in excess of twenty thousand rupees received by such political party from companies other than Government companies in that financial year.</p> <p>(2) The report under sub-section (1) shall be in such form as may be prescribed.</p> <p>(3) The report for a financial year under sub-section (1) shall be submitted by the treasurer of a political party or any other person authorised by the political party in this behalf before the due date for furnishing a return of its income of that financial year under section 139 of the Income-tax Act, 1961 (43 of 1961), to the Election Commission. (4) Where the treasurer of any political party or any other person authorised by the political party in this behalf fails to submit a report under sub-section (3) then, notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), such political</p>	<p>financial year, prepare a report in respect of the following, namely:</p> <p>(a) the contribution in excess of twenty thousand rupees received by such political party from any person in that financial year;</p> <p>(b) the contribution in excess of twenty thousand rupees received by such political party from companies other than Government companies in that financial year.</p> <p><i>Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.</i></p> <p><i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934.</i></p> <p>(2) The report under sub-section (1) shall be in such form as may be prescribed.</p> <p>(3) The report for a financial year under sub-section (1) shall be submitted by the treasurer of a political party or any other person authorised by the political party in this behalf before the due date for furnishing a return of its income of that financial year under section 139 of the Income-tax Act, 1961 (43 of 1961), to the Election Commission. (4) Where the treasurer of any political party or any other person authorised by the political party in this behalf fails to submit a report</p>
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## Amendments in Finance Act, 2017

party shall not be entitled to any tax relief under that Act.	under sub-section (3) then, notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), such political party shall not be entitled to any tax relief under that Act.
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### Comments:

As is evident from the amendment made any donation received by a political party through an electoral bond has been taken out of the ambit of reporting in the Contribution Report under section 29C of the RP Act and therefore, this is a retrograde step as far as transparency of donations is concerned.

### 4. Amendments to the Companies Act, 2013:

Certain amendments have been proposed in Section 182 of the Companies Act and the same, vis-à-vis the existing act, are as under:

Sl.No.	Existing Provision	Amended Provision
1.	182. Prohibitions and restrictions regarding political contributions.  1. Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for	182. Prohibitions and restrictions regarding political contributions.  1. Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less



## Amendments in Finance Act, 2017

<p>less than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p><i>Provided that the amount referred to in sub-section (1) or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed seven and a half per cent. of its average net profits during the three immediately preceding financial years:</i></p> <p>Provided <i>further</i> that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making <b>and the acceptance</b> of the contribution authorised by it.</p> <p>2. Without prejudice to the generality of the provisions of sub-section (1),—</p> <p>a. a donation or subscription or payment caused to be given by a company on its behalf or on its account to a person who, to its knowledge, is carrying on any activity which, at the time at which such donation or subscription or payment was given or made, can reasonably be regarded as likely to affect public support for a political party shall also be deemed to be contribution of the amount of such</p>	<p>than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p>Provided that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making of the contribution authorised by it.</p> <p>2. Without prejudice to the generality of the provisions of sub-section (1),—</p> <p>a. a donation or subscription or payment caused to be given by a company on its behalf or on its account to a person who, to its knowledge, is carrying on any activity which, at the time at which such donation or subscription or payment was given or made, can reasonably be regarded as likely to affect public support for a political party shall also be deemed to be contribution of the amount of such donation, subscription or payment to such person for a political purpose;</p> <p>b. the amount of expenditure incurred, directly or indirectly, by a company on an advertisement in any publication, being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like, shall also be deemed,—</p>
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## Amendments in Finance Act, 2017

<p>donation, subscription or payment to such person for a political purpose;</p> <p>b. the amount of expenditure incurred, directly or indirectly, by a company on an advertisement in any publication, being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like, shall also be deemed,—</p> <p>i. where such publication is by or on behalf of a political party, to be a contribution of such amount to such political party, and</p> <p>ii. where such publication is not by or on behalf of, but for the advantage of a political party, to be a contribution for a political purpose.</p> <p>3. Every company shall disclose in its profit and loss account <b><i>any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.</i></b></p> <p>4. If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to five times the amount so contributed and every officer of the company who is in default shall be punishable with imprisonment for</p>	<p>i. where such publication is by or on behalf of a political party, to be a contribution of such amount to such political party, and</p> <p>ii. where such publication is not by or on behalf of, but for the advantage of a political party, to be a contribution for a political purpose.</p> <p>3. Every company shall disclose in its profit and loss account <b><i>the total amount contributed by it under this section during the financial year to which the account relates.</i></b></p> <p>(3A) <b><i>Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account;</i></b></p> <p><b><i>Provided that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties.</i></b></p> <p>4. If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to five times the amount so contributed and every officer of the company who</p>
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<p>a term which may extend to six months and with fine which may extend to five times the amount so contributed.</p> <p><i>Explanation.</i>—For the purposes of this section, “political party” means a political party registered under section 29A of the Representation of the People Act, 1951.</p>	<p>is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times the amount so contributed.</p> <p><i>Explanation.</i>—For the purposes of this section, “political party” means a political party registered under section 29A of the Representation of the People Act, 1951.</p>
<p><b><u>Comments:</u></b></p> <p>A plain reading of the amended section shows that the limit of 7.5% of the average net profits in the preceding three financial years on contributions by companies has been done away with. This opens up the possibility of companies being set up for the sole purpose of making donations to political parties. Further, the second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions on their profit and loss statements, as this requirement is now reduced to a total amount under this head.</p>	

### **Conclusion:**

As can be seen from the amendments which have been made to various acts, there is a move towards reduction of transparency in the process of political funding. Notwithstanding the fact that the scheme pertaining to “Electoral Bonds” has not been notified yet, the proposal, in tandem with the changes proposed in the Companies Act/RP Act, leads to the preliminary conclusion that these moves would lead to large donations routed through companies using this method of funding and since these donations will not be declared separately for each transaction anywhere in the profit and loss account, it is totally opposite of what has been sought to be done by the Commission to meet the goal

## Amendments in Finance Act, 2017

of transparency. Unless concrete provisions are brought in regarding the declaration and tracking of individual electoral bonds/donations/contributions the system would be totally opaque and this would undo all the efforts which have been made by the Commission in the area of transparency of political funding.

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- 15
1. Amendments in the Income-tax Act, 1961: Section 13A, which deals with "Special provision relating to incomes of political parties" the following changes has been proposed:

Sl.No.	Existing Provision	Amended Provision
1.	13A, first proviso, "(b) in respect of each such voluntary contribution in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution; and*	13A, first proviso, "(b) in respect of each such voluntary contribution <i>other than contribution by way of electoral bond</i> in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution;"
2.		13A, first proviso, "(d) <i>no donation exceeding two thousand rupees is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.</i> "**

Comments:

Section 13A of the Income-tax Act, 1961 confers tax-exemption to political parties for Income from house property, income by way of voluntary contribution, income from capital gains and income from other sources. Political parties registered with the Election Commission of India are exempt from paying Income Tax under section 13A of Income Tax Act, 1961 as long as the political parties comply with the proviso to section 13A, that is, if they file their Income Tax Returns every Assessment Year along with their audited accounts, Income/Expenditure details and balance sheet.

The proviso to the section states that voluntary contributions exceeding Rs.20,000 shall be exempt provided the political party keeps and

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maintains a record of such contribution and the name and address of the contributor. The introduction of the words, "**other than contribution by way of electoral bond**" takes away the need to keep a record of the contributor in case of contribution by way of electoral bonds, thus bringing in a certain amount of opaqueness at the level of the political party, in terms of maintaining details.

As far as the introduction of (d) in the first proviso is concerned, this is a welcome step insofar as a reduction in the limit of anonymous cash donations to Rs.2000 is concerned. However, since the details of the contributors making political donations using electoral bonds are not required to be filed, the element of anonymity remains and the aim of transparency is compromised.

## 2. Amendments to the Reserve Bank of India, 1934:

Sl.No.	New Provision
1.	<p>In the Reserve Bank of India Act, 1934, in section 31, after sub-section (2), the following sub-section shall be inserted, namely:-</p> <p><b><i>'(3) Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.</i></b></p> <p><b><i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.'</i></b></p>

### Comments:

The amendment, which comes into force with effect from 1<sup>st</sup> April, 2017, allows the central government to authorise any scheduled banks to issue electoral bonds, though the exact modalities of the scheme are yet to be notified and can only be commented upon once the same is done.

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### 3. Amendments to the Representation of the People Act, 1951:

Amendments have been made in section 29C which deals with "Declaration of donation received by the political parties". Here the following amendment has been made:

Sl.No.	New Provision
1.	<p>In the Representation of the People Act, 1951, in section 29C, in sub-section (1), the following shall be inserted, namely:-</p> <p><i><b>'Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.'</b></i></p> <p><i><b>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934.</b></i></p>
<p><b>Comments:</b></p> <p>As is evident from the amendment made any donation received by a political party through an electoral bond has been taken out of the ambit of reporting in the Contribution Report under section 29C of the RP Act and therefore, this is a retrograde step as far as transparency of donations is concerned.</p>	

### 4. Amendments to the Companies Act, 2013:

Certain amendments have been proposed in Section 182 of the Companies Act and the same, vis-à-vis the existing act, are as under:

Sl.No.	Existing Provision	Amended Provision
1.	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount</p>	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute</p>

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directly or indirectly to any political party:

**Provided that the amount referred to in sub-section (1) or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed seven and a half per cent (7.5%) of its average net profits during the three immediately preceding financial years:**

Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.

**(3) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount**

any amount directly or indirectly to any political party:

Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.

(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.

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	<p>contributed and the name of the party to which such amount has been contributed.</p>	<p>(3A) <i>Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:</i></p> <p><i>Provided that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties."</i></p>
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#### Comments:

A plain reading of the amended section shows that the limit of 7.5% of the average net profits in the preceding three financial years on contributions by companies has been done away with. This opens up the possibility of companies being set up for the sole purpose of making donations to political parties. Further, the second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions on their profit and loss statements, as this requirement is now reduced to a total amount under this head.

#### Conclusion:

As can be seen from the amendments which have been made to various acts, there is a move towards reduction of transparency in the process of political funding. Notwithstanding the fact that the scheme pertaining to "Electoral Bonds" has not been notified yet, the proposal, in tandem with the changes proposed in the Companies Act/RP Act,

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leads to the preliminary conclusion that these moves would lead to large donations routed through companies using this method of funding and since these donations will not be declared separately for each transaction anywhere in the profit and loss account, it is totally opposite of what has been sought to be done by the Commission to meet the goal of transparency. Unless concrete provisions are brought in regarding the declaration and tracking of individual electoral bonds/donations/contributions the system would be totally opaque and this would undo all the efforts which have been made by the Commission in the area of transparency of political funding.

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1. Amendments in the Income-tax Act, 1961: Section 13A, which deals with “Special provision relating to incomes of political parties” the following changes has been proposed:

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**आयुक्त आवासन / Commissioner Sadan**  
**Election बिल्डिंग / Ashoka Road**  
**विभाग / New Delhi-110006**  
**फोन नंबर / 11000011**





## 2. Amendments to the Reserve Bank of India, 1934:

Sl.No.	New Provision
1.	<p>In the Reserve Bank of India Act, 1934, in section 31, after sub-section (2), the following sub-section shall be inserted, namely:-</p> <p><i>'(3) Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.</i></p> <p><i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.'</i></p>
<p><b><u>Comments:</u></b></p> <p>The amendment, which comes into force with effect from 1<sup>st</sup> April, 2017, allows the central government to authorise any scheduled banks to issue electoral bonds, though the exact modalities of the scheme are yet to be notified and can only be commented upon once the same is done.</p>	

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### 3. Amendments to the Representation of the People Act, 1951:

Amendments have been made in section 29C which deals with "Declaration of donation received by the political parties". Here the following amendment has been made:

Sl.No.	New Provision
1.	In the Representation of the People Act, 1951, in section 29C, in sub-section (1), the following shall be inserted, namely:- <i>'Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.</i> <i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934.</i>
<p><u>Comments:</u></p> <p>As is evident from the amendment made any donation received by a political party through an electoral bond has been taken out of the ambit of reporting in the Contribution Report under section 29C of the RP Act and therefore, this is a retrograde step as far as transparency of donations is concerned.</p>	

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#### 4. Amendments to the Companies Act, 2013:

Certain amendments have been proposed in Section 182 of the Companies Act and the same, vis-à-vis the existing act, are as under:

Sl.No.	Existing Provision	Amended Provision
1.	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p><b>Provided that the amount referred to in sub-section (1) or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed seven and a half per cent (7.5%) of its average net profits during the three immediately preceding financial years:</b></p> <p>Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such</p>	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p>Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.</p>

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<p>resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.</p> <p>(3) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.</p>	<p>(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.</p> <p>(3A) Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:</p> <p><i>Provided that a company may make contribution through any instrument, issued pursuant to any</i></p>
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*scheme notified under any law for the time being in force, for contribution to the political parties."*

**Comments:**

A plain reading of the amended section shows that the limit of 7.5% of the average net profits in the preceding three financial years on contributions by companies has been done away with. This opens up the possibility of companies being set up for the sole purpose of making donations to political parties. Further, the second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions on their profit and loss statements, as this requirement is now reduced to a total amount under this head.

**Conclusion:**

As can be seen from the amendments which have been made to various acts, there is a move towards reduction of transparency in the process of political funding. Notwithstanding the fact that the scheme pertaining to "Electoral Bonds" has not been notified yet, the proposal, in tandem with the changes proposed in the Companies Act/RP Act, leads to the preliminary conclusion that these moves would lead to large donations routed through companies using this method of funding and since these donations will not be declared separately for each transaction anywhere in the profit and loss account, it is totally opposite of what has been sought to be done by the Commission to meet the goal of transparency. Unless concrete provisions are brought in regarding the declaration and tracking of individual electoral bonds/donations/contributions the system would be totally opaque and this would undo all the efforts which have been made by the Commission in the area of transparency of political funding.

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**Comments:**

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1. Amendments in the Income-tax Act, 1961: Section 13A, which deals with "Special provision relating to incomes of political parties" the following changes has been proposed:

Sl.No.	Existing Provision	Amended Provision
1.	13A, first proviso, "(b) in respect of each such voluntary contribution in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution; and*	13A, first proviso, "(b) in respect of each such voluntary contribution <i>other than contribution by way of electoral bond</i> in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution;."
2.		13A, first proviso, "(d) <i>no donation exceeding two thousand rupees is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.</i> "**

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**Comments:**

Section 13A of the Income-tax Act, 1961 confers tax-exemption to political parties for Income from house property, income by way of voluntary contribution, income from capital gains and income from other sources. Political parties registered with the Election Commission of India are exempt from paying Income Tax under section 13A of Income Tax Act, 1961 as along as the political parties comply with the proviso to section 13A, that is, if they file their Income Tax Returns every Assessment Year along with their audited accounts, The proviso to the section states that voluntary contributions exceeding Rs.20,000 shall be exempt provided the introduction of the words "*other than contribution by way of electoral bond*" takes away the need to keep a record at the level of the political party, in terms of maintaining details. As far as the introduction of (d) in the first proviso is concerned, this is a welcome step insofar as a reduction in the limit of anonymous cash donations to Rs.2000 is concerned. However, since the details of the contributors making political donations using electoral bonds are not required to be filed, the element of anonymity remains and the aim of transparency is compromised.

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## 2. Amendments to the Reserve Bank of India, 1934:

Sl.No.	New Provision
1.	<p>In the Reserve Bank of India Act, 1934, in section 31, after sub-section (2), the following sub-section shall be inserted, namely:-</p> <p><b><i>‘(3) Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.</i></b></p> <p><b><i>Explanation. - For the purposes of this sub-section, “electoral bond” means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.’</i></b></p>
<p><b>Comments:</b></p> <p>The amendment, which comes into force with effect from 1<sup>st</sup> April, 2017, allows the central government to authorise any scheduled banks to issue electoral bonds, though the exact modalities of the scheme are yet to be notified and can only be commented upon once the same is done.</p>	

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### 3. Amendments to the Representation of the People Act, 1951:

Amendments have been made in section 29C which deals with "Declaration of donation received by the political parties". Here the following amendment has been made:

Sl.No.	New Provision
1.	In the Representation of the People Act, 1951, in section 29C, in sub-section (1), the following shall be inserted, namely:- <i>'Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.</i> <i>Explanation. - For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934.</i>
<b>Comments:</b> As is evident from the amendment made any donation received by a political party through an electoral bond has been taken out of the ambit of reporting in the Contribution Report under section 29C of the RP Act and therefore, this is a retrograde step as far as transparency of donations is concerned.	

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#### 4. Amendments to the Companies Act, 2013:

Certain amendments have been proposed in Section 182 of the Companies Act and the same, vis-à-vis the existing act, are as under:

Sl.No.	Existing Provision	Amended Provision
1.	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p><b>Provided that the amount referred to in sub-section (1) or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed seven and a half per cent (7.5%) of its average net profits during the three immediately preceding financial years:</b></p> <p>Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such</p>	<p>(1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:</p> <p>Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.</p>

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<p>resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.</p> <p>(3) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.</p>	<p>(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.</p> <p>(3A) Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:</p> <p><i>Provided that a company may make contribution through any instrument, issued pursuant to any</i></p>
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*scheme notified under any law for the time being in force, for contribution to the political parties."*

**Comments:**

A plain reading of the amended section shows that the limit of 7.5% of the average net profits in the preceding three financial years on contributions by companies has been done away with. This opens up the possibility of companies being set up for the sole purpose of making donations to political parties. Further, the second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions on their profit and loss statements, as this requirement is now reduced to a total amount under this head.

**Conclusion:**

As can be seen from the amendments which have been made to various acts, there is a move towards reduction of transparency in the process of political funding. Notwithstanding the fact that the scheme pertaining to "Electoral Bonds" has not been notified yet, the proposal, in tandem with the changes proposed in the Companies Act/RP Act, leads to the preliminary conclusion that these moves would lead to large donations routed through companies using this method of funding and since these donations will not be declared separately for each transaction anywhere in the profit and loss account, it is totally opposite of what has been sought to be done by the Commission to meet the goal of transparency. Unless concrete provisions are brought in regarding the declaration and tracking of individual electoral bonds/donations/contributions the system would be totally opaque and this would undo all the efforts which have been made by the Commission in the area of transparency of political funding.

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## Amendments in the Finance Act, 2017

The Finance Act, 2017 has made certain amendments in various sections of the Income-tax Act, 1961 Representation of the People Act, 1951, the Reserve Bank of India Act, 1934 and the Companies Act, 2013 which will have a direct impact in the area of political funding and its transparency. The amendments made and the likely impact is discussed as under:

### 1. Amendments in the Income-tax Act, 1961

Section 13A, which deals with "Special provision relating to incomes of political parties" the following changes has been proposed:

**Old Provision:** 13A, first proviso, "(b) in respect of each such voluntary contribution in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution; and"\*

**New Provision:** 13A, first proviso, "(b) in respect of each such voluntary contribution *other than contribution by way of electoral bond\*\** in excess of [twenty] thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution;"

**New Provision:** 13A, first proviso, "(d) *no donation exceeding two thousand rupees is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.*"

### Comments:

Section 13A of the Income-tax Act, 1961 confers tax-exemption to political parties for Income from house property, income by way of voluntary contribution, income from capital gains and

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income from other sources. Political parties registered with the Election Commission of India are exempt from paying Income Tax under section 13A of Income Tax Act, 1961 as long as the political parties comply with the proviso to section 13A, that is, if they file their Income Tax Returns every Assessment Year along with their audited accounts, Income/Expenditure details and balance sheet.

The proviso to the section states that voluntary contributions exceeding Rs.20,000 shall be exempt provided the political party keeps and maintains a record of such contribution and the name and address of the contributor. The introduction of the words "*other than contribution by way of electoral bond*" takes away the need to keep a record of the contributor in case of contribution by way of electoral bonds, thus bringing in a certain amount of opaqueness at the level of the political party, in terms of maintaining details.

As far as the introduction of (d) in the first proviso is concerned, this is a welcome step insofar as a reduction in the limit of anonymous cash donations to Rs.2000 is concerned. However, since the details of the contributors making political donations using electoral bonds are not required to be filed, the element of anonymity remains and the ~~aim~~ of transparency is compromised.

## 2. Amendments to the Reserve Bank of India, 1934:

**New Provision:** In the Reserve Bank of India Act, 1934, in section 31, after sub-section (2), the following sub-section shall be inserted, namely:-

*'(3) Notwithstanding anything contained in this section, the Central Government may authorise any scheduled bank to issue electoral bond.'*

***Explanation.*** - For the purposes of this sub-section, "electoral bond" means a bond issued by any scheduled bank under the scheme as may be notified by the Central Government.'

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### Comments:

The amendment, which comes into force with effect from 1<sup>st</sup> April, 2017, allows the central government to authorise any scheduled banks to issue electoral bonds, though the exact modalities of the scheme are yet to be notified and can only be commented upon once the same is done.

### 3. Amendments to the Representation of the People Act, 1951:

Amendments have been made in section 29C which deals with "Declaration of donation received by the political parties". Here the following amendment has been made:

**New Provision:** In the Representation of the People Act, 1951, in section 29C, in sub-section (1), the following shall be inserted, namely:-

*'Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.'*

*Explanation. - For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934.*

### Comments:

As is evident from the amendment made any donation received by a political party through an electoral bond has been taken out of the ambit of reporting in the Contribution Report under section 29C of the RP Act and therefore, this is a retrograde step as far as transparency of donations is concerned.

### 4. Amendments to the Companies Act, 2013:

Certain amendments have been proposed in Section 182 of the Companies Act and the same, vis-à-vis the existing act, are as under:

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**Old Provision:** (1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:

**Provided that the amount referred to in sub-section (1) or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed seven and a half per cent (7.5%) of its average net profits during the three immediately preceding financial years:**

Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.

(3) Every company shall disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party to which such amount has been contributed.

**New Provision:** (1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:

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Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.

(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.

*(3A) Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:*

*Provided that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties."*

#### Comments:

A plain reading of the amended section shows that the limit of 7.5% of the average net profits in the preceding three financial years on contributions by companies has been done away with. This opens up the possibility of companies being set up for the sole purpose of making donations to political parties. Further, the second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions on their profit and loss statements, as this requirement is now reduced to a total amount under this head.

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### Conclusion:

As can be seen from the amendments which have been made to various acts, there is a move towards reduction of transparency in the process of political funding. Notwithstanding the fact that the scheme pertaining to "Electoral Bonds" has not been notified yet, the proposal, in tandem with the changes proposed in the Companies Act/RP Act, leads to the preliminary conclusion that these moves would lead to large donations routed through companies using this method of funding and since these donations will not be declared separately for each transaction anywhere in the profit and loss account, it is totally opposite of what has been sought to be done by the Commission to meet the goal of transparency. Unless concrete provisions are brought in regarding the declaration and tracking of individual electoral bonds/donations/contributions the system would be totally opaque and this would undo all the efforts which have been made by the Commission in the area of transparency of political funding.

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26/5/17.

S.No. 8(I)

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By Special Messenger

## ELECTION COMMISSION OF INDIA

Nirvachan Sadan, Ashoka Road, New Delhi – 110001

No. 76/PPEMS/Transparency/2017/10

Dated: 26<sup>th</sup> May, 2017

To

The Secretary,  
Legislative Department,  
Ministry of Law and Justice,  
Shastri Bhawan,  
New Delhi.

Subject: Amendments in the Finance Act 2017

Sir,

I am directed to draw your attention to the Finance Act 2017, which has introduced certain amendments in the Income Tax Act, the Representation of the People Act 1951 and the Companies Act, 2013 and will have serious impact on Transparency aspect of political finance/funding of political parties.

### 2. Representation of the People Act:

2(i) The amendment in Section 29C of the Representation of the People Act, 1951, inserts a new proviso and explanation to sub-section (1), which read as follows-

*"Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.*

*Explanation – For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934."*

2(ii) It is evident from the Amendment which has been made, that any donation received by a political party through an electoral bond has been taken out of the ambit of reporting under the Contribution Report as prescribed under Section 29C of the Representation of the People Act, 1951 and therefore, this is a retrograde step

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as far as transparency of donations is concerned and this proviso needs to be withdrawn.

2(iii) Moreover, in a situation where contributions received through Electoral Bonds are not reported, on perusal of the Contribution reports of the political parties, it cannot be ascertained whether the political party has taken any donation in violation of provisions under Section 29B of the Representation of the People Act, 1951, which prohibits the political parties from taking donations from Government Companies and Foreign sources.

3. **Income-tax Act, 1961:** An amendment has been made in Sec. 13A of the Income Tax Act, whereby, no donation exceeding Rs.2,000 can be received by a political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond. However, the limit for receipt of anonymous donations by political parties still remains at Rs.20,000 in Sec.29C of the RP Act, 1951. The RP Act needs to be Amended to reduce the limit of anonymous/cash donations to Rs.2,000 so as to bring these two Acts in consonance with each other.

4(i) **Companies Act, 2013:** Certain amendments have been proposed in Section 182 of the Companies Act, where the first proviso has been omitted and consequently the limit of seven and a half percent(7.5%) of the average net profits in the preceding three financial years on contributions by companies has been removed from the statute. This opens up the possibility of shell companies being set up for the sole purpose of making donations to political parties, with no other business of consequence having disburseable profits.

4(ii) The second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions in their profit and loss statements, as this requirement is now reduced to only showing a total amount under this head, which again, would compromise transparency.

5. In view of the position explained above, I am directed to state that the amendments made in Section 29C of the Representation of the People Act 1951 and Companies Act, 2013 introduced in the Finance Act 2017, referred to above in paras 2(i) and 4(ii) above may be reconsidered and modified so as to provide for

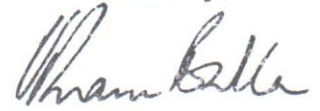
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Transparent Reporting of Contributions received by the Political Parties through Electoral Bonds u/s 29C of the RP Act, 1951 and a provision should be made in the Companies Act to declare the party-wise Contributions made by Companies in the P&L A/c, so that the transparency in the fund-raising by political parties is maintained.

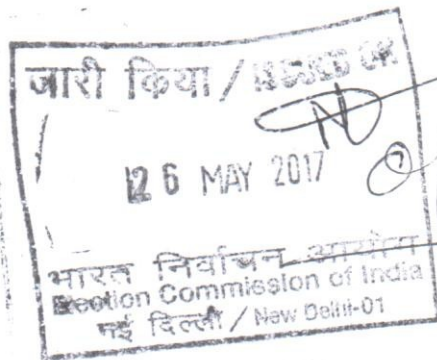
6. With respect to para 4(i), the Commission has expressed its apprehension that the abolition of the relevant provision of Sec.182 would lead to increased use of black money for political funding through shell companies. The Commission is of the view that the earlier provisions ensured that only profitable companies with a proven track record could provide donations to political parties and accordingly, it is Recommended that this provision may be Re-introduced.

7. Further, as mentioned in para 3, necessary changes may kindly be made in RP Act, 1951.

Yours faithfully,



Vikram Batra  
(Director EE)



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By Special Messenger**ELECTION COMMISSION OF INDIA**

Nirvachan Sadan, Ashoka Road, New Delhi – 110001

No. 56/PPEMS/Transparency/2017

Dated: May, 2017

To

The Secretary,  
Legislative Department,  
Ministry of Law and Justice,  
Shastri Bhawan,  
New Delhi.

Subject: Amendments in the Finance Act 2017

Sir,

I am directed to draw your attention to the Finance Act 2017, which has introduced certain amendments in the Income Tax Act, the Representation of the People Act 1951 and the Companies Act, 2013 <sup>and</sup> which will have a serious impact <sup>on</sup> in the <sup>area of</sup> <sup>aspect</sup> transparency of political finance/funding of political parties.

**2. Representation of the People Act:**

2(i) The amendment in Section 29C of the Representation of the People Act, 1951, inserts a new proviso and explanation to sub-section (1), which read as follows-

*"Provided that nothing contained in this sub-section shall apply to the contributions received by way of an electoral bond.*

*Explanation – For the purposes of this sub-section, "electoral bond" means a bond referred to in the Explanation to sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934."*

2(ii) It is evident from the Amendment <sup>which has been</sup> made, that any donation received by a political party through an electoral bond has been taken out of the ambit of reporting <sup>under</sup> in the Contribution Report <sup>as prescribed under</sup> under Section 29C of the Representation of the People

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Act, 1951 and therefore, this is a retrograde step as far as transparency of donations is concerned and this proviso needs to be withdrawn.

2(iii) Moreover, in such a situation, on perusal of the Contribution reports of the political parties, it cannot be ascertained whether the political party has taken any donation in violation of provisions under Section 29B of the Representation of the People Act, 1951, which prohibits the political parties from taking donations from Government Companies and Foreign sources.

3. **Income-tax Act, 1961:** An amendment has been made in Sec. 13A of the Income Tax Act, whereby, no donation exceeding Rs.2,000 can be received by a political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond. However, the limit for receipt of anonymous donations by political parties still remains at Rs.20,000 in Sec.29C of the RP Act, 1951. The RP Act needs to be amended to reduce the limit of anonymous donations to Rs.2,000 so as to bring these two Acts in consonance with each other.

4(i) **Companies Act, 2013:** Certain amendments have been proposed in Section 182 of the Companies Act, where the first proviso has been omitted and consequently the limit of ~~one~~ and a half percent of the average net profits in the preceding three financial years on contributions by companies has been removed from the statute. This opens up the possibility of shell companies being set up for the sole purpose of making donations to political parties, with no other business of consequence having disburseable profits.

4(ii) The second amendment, in Sec. 182(3), abolishes the provision that firms must declare their political contributions in their profit and loss statements, as this requirement is now reduced to only showing a total amount under this head, which again, would compromise transparency.

5. In view of the position explained above, I am directed to state that the amendments made in Section 29C of the Representation of the People Act 1951 and Companies Act, 2013 introduced in the Finance Act 2017, referred to above in paras 2(i) and 4(ii) above may be reconsidered and modified to provide for Transparent Reporting of Contributions received by the Political Parties through Electoral Bonds

15-3-19  
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s 29C of the RP Act, 1951 and a provision should be made in the Companies Act to declare the Contributions made by Companies in the P&L A/c, so that the transparency in the fundraising by political parties is maintained.

6. With respect to para 4(i), the Commission has expressed its apprehension that the abolition of the relevant provision of Sec.182 would lead to increased use of black money for political funding through shell companies. The Commission is of the view that the earlier provisions ensured that only profitable companies with a proven track record could provide donations to political parties and accordingly it is recommended that this provision may be Re-introduced.

7. Further, as mentioned in para 3, necessary changes may kindly be made in RP Act, 1951.

Yours faithfully,

Vikram Batra  
(Director EE)

15/3/19  
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# भारत का राजपत्र The Gazette of India

असाधारण

EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (ii)

PART II—Section 3—Sub-section (ii)

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(आर्थिक कार्य विभाग)

अधिसूचना

नई दिल्ली, 2 जनवरी, 2018

**का.आ. 29(अ).—**भारतीय रिजर्व बैंक अधिनियम, 1934 (1934 का 2) की धारा 31 की उप-धारा (3) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए केंद्र सरकार एतद्वारा निम्नलिखित स्कीम बनाती है अर्थात्:-

**1. संक्षिप्त नाम और आरंभ-(1)** इस स्कीम का नाम इलेक्टोरल बांड स्कीम, 2018 होगा।

(2) यह सरकारी राजपत्र में अपने प्रकाशन की तारीख से लागू होगी।

**2. परिभाषा:** इस स्कीम में, जब तक संदर्भ से अन्यथा अपेक्षित न हो, -

(क) "इलेक्टोरल बांड" का अर्थ प्रोमेसरी नोट के स्वरूप में जारी बांड है जो एक धारक बैंकिंग लिखित होगा और इस पर क्रेता या आदाता का नाम नहीं होगा;

(ख) "प्राधिकृत बैंक" का अर्थ है भारतीय स्टेट बैंक जो इस अधिसूचना के अनुबंध-1 में यथा विनिर्दिष्ट शाखाओं में बांड जारी करने और उसके नकदीकरण के लिए प्राधिकृत है;

(ग) "निर्गमकर्ता शाखा" का अर्थ है इलेक्टोरल बांड जारी करने के लिए अनुबंध-1 में विनिर्दिष्ट प्राधिकृत बैंक की नामोद्दिष्ट शाखा;

(घ) "व्यक्ति" में शामिल हैं-

(i) व्यक्ति;

(ii) हिंदू अविभाजित परिवार;

(iii) कंपनी;



(iv) फर्म;

(v) व्यक्तियों का संघ अथवा व्यष्टियों का निकाय, चाहे निगमित हों अथवा न हो;

(vi) किसी पूर्ववर्ती उप-खंडों में न आने वाला प्रत्येक कृत्रिम वैधिक व्यक्ति; और

(vii) ऐसे व्यक्ति के स्वामित्वाधीन या नियंत्रणाधीन कोई एजेंसी, कार्यालय या शाखा।

**3. इलेक्ट्रोरल बांड खरीदने और नकदीकरण के लिए पात्रता-**(1) इस स्कीम के तहत बांड ऐसे व्यक्ति द्वारा खरीदा जा सकता है, जो भारत का नागरिक हो अथवा भारत में निगमित या स्थापित हो।

(2) एक व्यक्ति व्यष्टि होने के नाते अकेले अथवा अन्य व्यष्टियों के साथ संयुक्त रूप से बांड खरीद सकता है।

(3) इसके लिए केवल वही राजनीतिक पार्टियां बांड प्राप्त करने की पात्र होंगी जो लोक प्रतिनिधित्व अधिनियम, 1951 (1951 का 43) की धारा 29क के तहत पंजीकृत हों और जिन्हें लोक सभा अथवा विधान सभा, जैसा भी मामला हो, के पिछले आम चुनाव में डाले गए कुल वोटों का कम से कम एक प्रतिशत वोट प्राप्त हुआ हो।

(4) इस बांड का नकदीकरण केवल पात्र राजनीतिक पार्टी द्वारा प्राधिकृत बैंक के निर्दिष्ट बैंक खाते के माध्यम से किया जाएगा।

**4. अपने ग्राहक को जानें (केवाईसी) की प्रयोज्यता** (1) भारतीय रिजर्व बैंक द्वारा बैंक के ग्राहक के लिए "अपने ग्राहक को जानें" (केवाईसी) के संबंध में जारी वर्तमान अनुदेश इन बांडों के क्रेताओं पर लागू होंगे।

(2) यदि आवश्यक हो, तो प्राधिकृत बैंक अपने ग्राहक को जानें (केवाईसी) के संबंध में किसी अतिरिक्त दस्तावेज की मांग कर सकता है।

**5. मूल्यवर्ग -** ये बांड ₹ 1,000, ₹10,000, ₹1,00,000, ₹10,00,000 और ₹1,00,00,000 के मूल्यवर्ग में जारी किए जाएंगे।

**6. बांड की वैधता-** (1) बांड की वैधता उसके निर्गम की तारीख से 15 दिन के लिए होगी और यदि बांड वैधता अवधि समाप्त होने के बाद जमा किया जाता है तो किसी आदाता राजनीतिक पार्टी को कोई भुगतान नहीं किया जाएगा।

(2) किसी भी राजनीतिक पार्टी द्वारा अपने खाते में जमा किए गए बांड को उसी दिन क्रेडिट किया जाएगा।

**7. बांडों की खरीद के लिए आवेदन करने की प्रक्रिया -** (1) बांड खरीदने का इच्छुक प्रत्येक क्रेता इस अधिसूचना के अनुबंध-II में विनिर्दिष्ट प्रारूप में वास्तविक रूप में या ऑनलाइन आवेदन कर सकता है।

(2) प्रत्येक आवेदन में अनुबंध-II में दिए गए प्रारूप के अनुसार विवरण शामिल होंगे और इसके साथ विनिर्दिष्ट दस्तावेज संलग्न किए जाएंगे।

(3) आवेदन प्राप्त होने पर, निर्गमकर्ता शाखा अपेक्षाएं पूर्ण पाई जाने पर अपेक्षित बांड जारी करेगी।

(4) क्रेता द्वारा प्रस्तुत की गई सूचना को प्राधिकृत बैंक द्वारा गोपनीय माना जाएगा और किसी भी प्रयोजन के लिए किसी प्राधिकारी के समक्ष प्रकट नहीं की जाएगी, सिवाय तब जब सक्षम न्यायालय द्वारा मांगी जाए अथवा किसी विधि प्रवर्तन एजेंसी द्वारा आपराधिक मामला दर्ज किया गया हो।

(5) "अपने ग्राहक को जानें" (केवाईसी) के मानदंडों का पालन न करने वाले आवेदन या स्कीम की अपेक्षाओं को पूरा न करने वाले आवेदन को अस्वीकृत कर दिया जाएगा।

(6) क्रेता को बांड, वापस न करने योग्य आधार पर जारी किया जाएगा।

**8. बांडों के निर्गम की अवधि-** (1) इस स्कीम के तहत बांड जनवरी, अप्रैल, जुलाई और अक्टूबर प्रत्येक महीने में किसी भी व्यक्ति द्वारा खरीदे जाने के लिए 10 दिन की अवधि, जो केंद्र सरकार द्वारा विनिर्दिष्ट की जा सकती है, के लिए उपलब्ध होंगे।

(2) लोक सभा के लिए आम चुनाव होने वाले वर्ष में इसके लिए केंद्र सरकार द्वारा 30 दिनों की अतिरिक्त अवधि विनिर्दिष्ट की जाएगी।

**9. ब्याज-** बांड पर कोई ब्याज नहीं दिया जाएगा।

**10. निर्गमकर्ता कार्यालय और देय कमीशन-** बांड की खरीद करने के लिए क्रेता द्वारा बांड निर्गम हेतु कोई कमीशन, दलाली या कोई अन्य प्रभार देय नहीं होगा।

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**11. भुगतान के विकल्प-** (1) बांड के निर्गम के लिए सभी भुगतान भारतीय रुपए में, डिमांड ड्राफ्ट या बैंक से अथवा इलेक्ट्रॉनिक क्लियरिंग सिस्टम से या क्रेता के खाते से सीधे नामे डालकर स्वीकार किए जाएंगे।

(2) जहां भुगतान बैंक अथवा डिमांड ड्राफ्ट द्वारा किया जाता है तो यह ऐसे बांड के निर्गम के स्थान पर निर्गमकर्ता बैंक के पक्ष में किया जाएगा।

**12. बांड का नकदीकरण-** (1) इस बांड का नकदीकरण केवल पात्र राजनीतिक पार्टी द्वारा अपने नामोद्दिष्ट बैंक खाते में इसे जमा करके किया जाएगा।

(2) पंद्रह दिनों की वैधता अवधि के भीतर नकदीकृत न किए गए बांडों की राशि प्राधिकृत बैंक द्वारा प्रधानमंत्री राहत कोष में जमा की जाएगी।

**13. कर उपाय-** बांडों का अंकित मूल्य आयकर अधिनियम, 1961 की धारा 13क के तहत आयकर से छूट के प्रयोजन से, पात्र राजनीतिक पार्टी को प्राप्त स्वैच्छिक अंशदान के रूप में आय मानी जाएगी।

**14. बांडों का कारोबार-** बांड कारोबार के लिए पात्र नहीं होंगे।

अनुबंध-1

प्राधिकृत बैंक का नाम: भारतीय स्टेट बैंक  
[खंड 2(ख) देखें]

निर्गमकर्ता शाखाओं की सूची: [खंड 2(ग) देखें]

क्र.सं.	राज्य	शाखा कोड	शाखा का नाम
1.	आंध्र प्रदेश	952	विशाखापतनम
		948	विजयवाड़ा
2.	अंडमान और निकोबार	156	पोर्ट ब्लेयर
3.	अरुणाचल प्रदेश	6091	ईटानगर
4.	असम	78	गुवाहाटी
5.	बिहार	152	पटना मुख्य शाखा
6.	चंडीगढ़	626	चंडीगढ़ मुख्य शाखा
7.	छत्तीसगढ़	461	रायपुर
		336	बिलासपुर
8.	दादर और नागर हवेली	6586	सिलवासा
9.	दमन और दीव	514	दमन
10.	दिल्ली	691	नई दिल्ली मुख्य शाखा
11.	गोवा	509	पणजी
12.	गुजरात	1355	गांधीनगर
		301	अहमदाबाद
13.	हरियाणा	645	नई कॉलोनी गुडगांव
14.	हिमाचल प्रदेश	718	शिमला
15.	जम्मू और कश्मीर	2295	बादामी बाग बीआर श्रीनगर
		657	जम्मू
16.	झारखंड	167	रांची
17.	कर्नाटक	813	बंगलोर मुख्य शाखा
		846	हवेली
18.	केरल	941	तिरुवनंतपुरम मुख्य
19.	लक्षद्वीप	5080	कावारती
20.	मध्य प्रदेश	1308	भोपाल मुख्य शाखा
		377	ग्वालियर मुख्य शाखा
21.	महाराष्ट्र	300	मुंबई मुख्य शाखा
		432	नागपुर

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		454	पुणे मुख्य शाखा
22.	मणिपुर	92	इंफाल
23.	मेघालय	188	शिलांग
24.	मिजोरम	1539	आईजोल
25.	नागालैंड	214	कोहिमा
26.	ओडिशा	41	भुवनेश्वर
		59	कटक
27.	पुदुचेरी	900	पुदुचेरी
28.	पंजाब	674	लुधियाना
29.	राजस्थान	656	जयपुर मुख्य शाखा
		659	जोधपुर
30.	सिक्किम	232	गंगटोक
31.	तमिलनाडु	800	चेन्नई मुख्य शाखा
		827	कोयंबटूर
32.	तेलंगाना	916	सिकंदराबाद
		847	हैदराबाद मुख्य शाखा
		2	अगरतल्ला
33.	त्रिपुरा	125	लखनऊ
34.	उत्तर प्रदेश	86	गोरखपुर
		102	झांसी
		602	आगरा मुख्य शाखा
35.	उत्तराखंड	630	देहरादून मुख्य शाखा
36.	पश्चिम बंगाल	1	कोलकाता मुख्य शाखा
		184	सिलीगुड़ी

अनुबंध-II

इलेक्टोरल बांड जारी करने के लिए आवेदन-पत्र का प्रारूप

इलेक्टोरल बांड ..... (वर्ष) के लिए आवेदन-पत्र		
जारी करने वाले बैंक का नाम:	शाखा का नाम:	
दिनांक:		
अभिधान की विधि	चेक/डिमांड ड्राफ्ट	इलेक्ट्रॉनिक ट्रांसफर
अपेक्षित इलेक्टोरल बांड का मूल्यवर्ग और नंबर (1000 रुपए, 10,000 रुपए, 1,00,000 रुपए 10,00,000 रुपए और 1,00,00,000 रुपए के मूल्यवर्ग में)		
पैन नं./टैन नं., यथा लागू		

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अनुभाग अधिकारी / Section Officer  
भारत निर्वाचन आयोग  
Election Commission of India  
निर्वाचन सदन / Nirvachan Sadan  
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आवेदक की स्थिति (दिनांक ..... की अधिसूचना सं. .... के खण्ड 3(क) के अनुसार)	व्यक्ति	एचयूएफ	कम्पनी	फर्म	चैरिटेबल ट्रस्ट	अन्य
आवेदक का विवरण (स्पष्ट अक्षरों में)						
प्रथम/मुख्य आवेदक का पूरा नाम:						
पहचान का विवरण: (पासपोर्ट, आधार/मतदाता पहचान पत्र)						
दूसरे आवेदक का पूरा नाम:						
(परिस्थितियों के अनुसार और आवेदकों के नाम शामिल किए जा सकते हैं)						
पहचान का विवरण: (पासपोर्ट, आधार/मतदाता पहचान पत्र)						
प्रथम/मुख्य आवेदक का पूरा पता:						
संपर्क का विवरण/ फोन/फैक्स: ईमेल:						
घोषणा: मैं/हम एतद्वारा घोषणा करता हूँ/करते हैं और वचन देता हूँ/देते हैं कि (i) आवेदन पत्र में दी गई सूचना सभी प्रकार से सही है। (ii) मैंने इलेक्टोरल बांड के क्रेता से संबंधित सूचना का विवरण और इलेक्टोरल बांड धारक के अधिकारों और कर्तव्यों को पढ़ और समझ लिया है।						
हस्ताक्षर		हस्ताक्षर				
प्रथम आवेदक		दूसरा आवेदक				
यदि अँगूठे का निशान लगाया गया हो तो दो गवाहों द्वारा प्रमाणित किया जाए:						
प्रथम गवाह (विवरण)		दूसरा गवाह (विवरण)				
एचयूएफ के लिए घोषणा:  मैं, ..... प्रथम आवेदनक के सामने दिए गए पते पर रहने वाला, दृढ़तापूर्वक पूष्टि करता/करती हूँ कि मैं हिन्दु अविभाजित परिवार का कर्ता हूँ और इसलिए मुझे एचयूएफ के नाम मौजूद इलेक्टोरल बांड को खरीदने और अन्य प्रकार से उसका निपटान करने का पूरा अधिकार है।  एचयूएफ के लिए और उसकी ओर से नमूना हस्ताक्षर (एचयूएफ का नाम):  स्थान: दिनांक: कर्ता के हस्ताक्षर कार्यालय प्रयोग हेतु						

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नई दिल्ली-110001 / New Delhi-110001



आवेदन प्राप्त होने की तारीख	बीएलए नं./ सीआईएफ नं.	एचयूएफ की स्थिति (हां/नहीं)	कोई अन्य सूचना
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**इलेक्टोरल बांड के क्रेताओं हेतु सूचना:**

मद	इलेक्टोरल बांड
कौन खरीद सकता है	(1) इस योजना के अंतर्गत बांड उस व्यक्ति द्वारा खरीदा जा सकता है जो भारत का नागरिक हो या भारत में निगमित या स्थापित हो। (2) कोई व्यक्ति अकेला या अन्य व्यक्ति के साथ संयुक्त रूप से बांड खरीद सकता है।
निवेश की सीमा	कोई नहीं
इलेक्टोरल बांड का फॉर्म	गेर-वापसी योग्य बैंकिंग लिखत, वास्तविक रूप में
व्याज का विकल्प	कोई ब्याज देय नहीं होगा
इलेक्टोरल बांड का अस्तित्व	जारी किए जाने की तारीख से पंद्रह दिनों के भीतर भुनाया जा सकता है।
हस्तांतरणीयता	हस्तांतरणीय नहीं
इन इलेक्टोरल बांडों की प्रत्याभूति के बदले बैंकों से ऋण	अनुमति नहीं
आवेदन फार्म	अधिकृत बैंकों की निर्दिष्ट शाखाओं में उपलब्ध
नगदीकरण	लोक प्रतिनिधित्व अधिनियम, 1951 की धारा 29क के अंतर्गत केवल पंजीकृत राजनीतिक पार्टी, जिसने लोक सभा या विधान सभा, जैसा भी मामला हो, के पिछले आम चुनाव में कम-से-कम एक प्रतिशत मत प्राप्त किया हो, बांड प्राप्त करने के लिए पात्र होगी।

[फा. सं. 4(23)-वी(डब्ल्यू एण्ड एम)/2017]

प्रशांत गोयल, संयुक्त सचिव

**MINISTRY OF FINANCE**

(Department of Economic Affairs)

**NOTIFICATION**

New Delhi, the 2nd January, 2018

S.O. 29(E).—In exercise of the powers conferred by sub-section (3) of Section 31 of the Reserve Bank of India Act, 1934 (2 of 1934), the Central Government hereby makes the following Scheme, namely:-

1. **Short title and commencement.**—(1) This scheme may be called the Electoral Bond Scheme, 2018.

(2) It shall come into force on the date of its publication in the Official Gazette.

2. **Definition.**— In this Scheme, unless the context otherwise requires, —

(a) “electoral bond” means a bond issued in the nature of promissory note which shall be a bearer banking instrument and shall not carry the name of the buyer or payee;

(b) “authorised bank” means the State Bank of India authorised to issue and encash the bonds in the branches specified in **Annexure I** to this notification;

(c) “issuing branch” means a designated branch of the authorised bank specified in **Annexure I** for issuing electoral bonds;

(d) “person” includes-

(i) an individual;

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- (ii) a Hindu undivided family;
- (iii) a company;
- (iv) a firm;
- (v) an association of persons or a body of individuals, whether incorporated or not;
- (vi) every artificial juridical person, not falling within any of the preceding sub-clauses; and
- (vii) any agency, office or branch owned or controlled by such person.

**3. Eligibility for purchase and encashment of electoral bond.**-(1) The Bond under this Scheme may be purchased by a person, who is a citizen of India or incorporated or established in India.

- (2) A person being an individual can buy bonds, either singly or jointly with other individuals.
- (3) Only the political parties registered under section 29A of the Representation of the People Act, 1951 (43 of 1951) and secured not less than one per cent of the votes polled in the last general election to the House of the People or the Legislative Assembly, as the case may be, shall be eligible to receive the bond.
- (4) The bond shall be encashed by an eligible political party only through a bank account with the authorised bank.

**4. Applicability of Know Your Customer Norms.**-(1) The extant instructions issued by the Reserve Bank of India regarding Know Your Customer norms of a bank's customer shall apply for buyers of the bonds.

- (2) The authorised bank may call for any additional Know Your Customer documents, if it deems necessary.

**5. Denomination.**—The bonds shall be issued in the denomination of ₹ 1000, ₹ 10,000, ₹ 1,00,000, ₹ 10,00,000 and ₹ 1,00,00,000.

**6. Validity of Bond.**—(1) The bond shall be valid for fifteen days from the date of issue and no payment shall be made to any payee political party if the bond is deposited after expiry of the validity period.

- (2) The bond deposited by any political party to its account shall be credited on the same day.

**7. Procedure for making application for purchase of bonds.**—(1) Every buyer desirous of purchasing bond can apply with a physical or through online application in the format specified in **Annexure II** to this notification.

- (2) Every application shall contain particulars as per the format in **Annexure-II** and shall be accompanied with the specified documents.
- (3) On receipt of an application, the issuing branch shall issue the requisite bond, if all the requirements are fulfilled.
- (4) The information furnished by the buyer shall be treated confidential by the authorised bank and shall not be disclosed to any authority for any purposes, except when demanded by a competent court or upon registration of criminal case by any law enforcement agency.
- (5) A non-Know Your Customer compliant application or an application not meeting the requirements of the scheme shall be rejected.
- (6) The bond shall be issued to the buyer on non-refundable basis.

**8. Periodicity of issue of bonds.**—(1) The bonds under this Scheme shall be available for purchase by any person for a period of ten days each in the months of January, April, July and October as may be specified by the Central Government.

- (2) An additional period of thirty days shall be specified by the Central Government in the year of general elections to the House of People.

**9. Interest.**—No interest shall be payable on the bond.

**10. Issuing offices and commission payable.**—No commission, brokerage or any other charges for issue of bond shall be payable by the buyer against purchase of the bond.

**11. Payment options.**—(1) All payments for the issuance of the bond shall be accepted in Indian rupees, through demand draft or cheque or through Electronic Clearing System or direct debit to the buyer's account.

- (2) Where payment is made through cheque or demand draft, the same shall be drawn in favour of the issuing bank at the place of issue such bond.

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**12. Encashment of the bond.**—(1) The bond can be encashed only by an eligible political party by depositing the same in their designated bank account.

(2) The amount of bonds not encashed within the validity period of fifteen days shall be deposited by the authorised bank to the Prime Minister Relief Fund.

**13. Tax treatment.**— The face value of the bonds shall be counted as income by way of voluntary contributions received by an eligible political party, for the purpose of exemption from Income-tax under section 13A of the Income-tax Act, 1961.

**14. Trading of bonds.**—The bonds shall not be eligible for trading.

## Annexure I

**Name of Authorised Bank: STATE BANK OF INDIA**  
[refer clause 2 (b)]

**List of Issuing Branches: [refer clause 2 (c)]**

S.NO.	STATE	BCODE	BRANCH NAME
1	ANDHRA PRADESH	952	VISAKHAPATNAM
		948	VIJAYAWADA
2	ANDAMAN & NICOBAR	156	PORT BLAIR
3	ARUNACHAL PRADESH	6091	ITANAGAR
4	ASSAM	78	GUWAHATI
5	BIHAR	152	PATNA MAIN BRANCH
6	CHANDIGARH	626	CHANDIGARH MAIN BRANCH
7	CHHATTISGARH	461	RAIPUR
		336	BILASPUR
8	DADAR & NAGAR HAVELI	6586	SILVASSA
9	DAMAN & DIU	514	DAMAN
10	DELHI	691	NEW DELHI MAIN BRANCH
11	GOA	509	PANAJI
12	GUJARAT	1355	GANDHI NAGAR
		301	AHMEDABAD
13	HARYANA	645	NEW COLONY GURGAON
14	HIMACHAL PRADESH	718	SHIMLA
15	JAMMU & KASHMIR	2295	BADAMI BAGH BR SRINAGAR
		657	JAMMU
16	JHARKHAND	167	RANCHI
17	KARNATAKA	813	BANGALORE MAIN BRANCH
		846	HUBLI
18	KERALA	941	THIRUVANANTHAPURAM MAIN
19	LAKSHADWEEP	5080	KAVARATTI
20	MADHYA PRADESH	1308	BHOPAL MAIN BRANCH
		377	GWALIOR MAIN BRANCH
21	MAHARASHTRA	300	MUMBAI MAIN BRANCH
		432	NAGPUR
		454	PUNE MAIN BRANCH
22	MANIPUR	92	IMPHAL
23	MEGHALAYA	188	SHILONG
24	MIZORAM	1539	AIZAWL
25	NAGALAND	214	KOHIMA
26	ODISHA	41	BHUBANESHWAR
		59	CUTTACK
27	PUDUCHERRY	900	PUDUCHERRY
28	PUNJAB	674	LUDHIANA
29	RAJASTHAN	656	JAIPUR MAIN BRANCH
		659	JODHPUR
30	SIKKIM	232	GANGTOK

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31	TAMILNADU	800	CHENNAI MAIN BRANCH
		827	COIMBATORE
32	TELANGANA	916	SECUNDERABAD
		5324	NIZAMABAD
		847	HYDERABAD MAIN BRANCH
33	TRIPURA	2	AGARTALA
34	UTTAR PRADESH	125	LUCKNOW
		86	GORAKHPUR
		102	JHANSI
		602	AGRA MAIN BRANCH
35	UTTARAKHAND	630	DEHARADUN MAIN BRANCH
36	WEST BENGAL	1	KOLKATA MAIN BRANCH
		184	SILIGUDI

## Format of Application for Issue of Electoral Bond:

## Annexure II

APPLICATION FORM FOR ELECTORAL BONDS _____ (YEAR)							
NAME OF ISSUING BANK:				NAME OF BRANCH:			
DATE _____							
MODE OF SUBSCRIPTION		CHEQUE/DD		ELECTRONIC TRANSFER			
		DETAILS OF CHEQUE/DD/			DATED		
AMOUNT IN FIGURES:		AMOUNT IN WORDS:					
DENOMINATION & NUMBER OF ELECTORAL BONDS REQUIRED (in denomination of ₹1000, ₹10,000, ₹1,00,000, ₹10,00,000 and ₹1,00,00,000)							
PAN NO. / TAN NO. AS APPLICABLE							
APPLICANT STATUS (As per clause 3(a) of the notification No. .... dated.....)	INDIVIDUAL	HUF	COMPANY	FIRM	CHARITABLE TRUST	Others	
APPLICANT (S) DETAILS (IN BLOCK LETTERS)							
FIRST/ SOLE APPLICANT'S NAME IN FULL:							
DETAILS OF IDENTITY: (Passport, Aadhaar/Voter Id)							
SECOND APPLICANT'S NAME IN FULL:							
(Name of more applicant's can be added, if situation so demands)							
DETAILS OF IDENTITY: (Passport, Aadhaar/Voter Id)							
FIRST / SOLE APPLICANT'S ADDRESS IN FULL:							

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THE GAZETTE OF INDIA : EXTRAORDINARY

[PART II—SEC. 3(ii)]

CONTACT DETAILS :			
PHONE/ FAX:			
EMAIL:			
DECLARATION: I/ We hereby declare and undertake that			
(i) The information furnished in the application form is correct in all respects.			
(ii) I have read and understood the details of information for the buyer of the Electoral Bonds as well as the rights and duties of the Electoral Bond holder.			
Signature		Signature	
1 <sup>st</sup> APPLICANT		2 <sup>nd</sup> APPLICANT	
IN CASE OF THUMB IMPRESSION, ATTESTATION BY TWO WITNESSES:			
1 <sup>ST</sup> WITNESS (DETAILS)		2 <sup>ND</sup> WITNESS (DETAILS)	
HUF DECALARATION :			
I, _____ RESIDING AT THE ADDRESS GIVEN AGAINST FIRST APPLICANT, DO SOLEMNLY AFFIRM THAT I AM THE KARTA OF THE HINDU UNDIVIDED FAMILY AND AS SUCH HAVE FULL POWERS TO PURCHASE AND OTHER WISE DEAL IN THE ELECTORAL BONDS STANDING IN THE NAME OF THE HUF.			
SPECIMEN SIGNATURE FOR AND ON BEHALF OF THE HUF ( <i>Name of the HUF</i> ):			
Place _____			
Date _____		Signature of the Karta	
FOR OFFICE USE			
Date of receipt of application	BLA No./ CIF No.	HUF status (Y/N)	Any other information
			

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**INFORMATION FOR BUYERS OF ELECTORAL BOND:**

ITEM	ELECTORAL BOND
WHO CAN BUY	(1) The Bond under this Scheme may be purchased by a person, who is a citizen of India or incorporated or established in India. (2) A person being an individual can buy bonds, either singly or jointly with other individuals.
LIMIT OF INVESTMENT	None
FORM OF ELECTORAL BONDS	Non-refundable banking instrument, in physical form
INTEREST OPTION	No interest shall be payable
LIFE OF ELECTORAL BOND	To be encashed within fifteen days from date of issuance.
TRADABILITY	Not tradable.
LOANS FROM BANKS AGAINST SECURITY OF THESE ELECTORAL BONDS	Not permitted.
APPLICATION FORMS	Available at designated branches of authorised Banks.
ENCASHMENT	Only the political parties registered under section 29A of the Representation of the People Act, 1951 (43 of 1951) and secured not less than one per cent of the votes polled in the last general election to the House of the People or the Legislative Assembly, as the case may be, shall be eligible to receive the bond.

[F. No. 4(23)-B(W&M)/2017]

PRASHANT GOYAL, Jt. Secy.

RAKESH  
SUKUL

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RAKESH SUKUL  
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